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TO RUEHC/SECSTATE WASHDC PRIORITY 8330
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
INFO RHMFISS/HQ USCENCOM MACDILL AFB FL PRIORITY
RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE

S E C R E T SECTION 01 OF 03 DOHA 000745

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FOR DEPUTY SECRETARY KIMMITT FROM AMBASSADOR LEBARON

E.O. 12958: DECL: 10/22/2018
TAGS: [EFIN](#) [EINV](#) [PREL](#) [OVIP](#) [QA](#)
SUBJECT: SCENESETTER FOR DEPUTY TREASURY SECRETARY
KIMMITT'S VISIT TO QATAR

Classified By: Ambassador Joseph E. LeBaron, for reasons 1.4 (b, d).

¶1. (C) Embassy Doha welcomes your visit to Qatar. We have requested meetings for you with the Amir, Prime Minister/Foreign Minister, Minister of Finance, and Central Bank Governor. When Secretary Paulson was here June 1, he met with all of these officials, except the Amir. The dollar peg and other currency issues were the focus of those meetings, and Secretary Paulson also emphasized the open investment climate in the U.S. for Gulf sovereign wealth funds. The Prime Minister told the Ambassador October 19 that he would meet with you if he is in town, which is an indication that the host government looks forward to your upcoming visit.

¶2. (C) Below we provide the Country Team's views on how your visit can best advance the U.S. Government's strategic objectives in Qatar. We also discuss the key strategic trends in the bilateral relationship over the coming three years. We start, however, with a brief review of the bilateral relationship.

THE U.S.-QATAR RELATIONSHIP

¶3. (C) The breadth and depth of Qatar's relationship with the U.S. is impressive, especially for a country the size of Connecticut, with only 1.7 million inhabitants, of whom only about 225,000 are actually Qatari citizens.

-- Because it is so small and its energy resources so large, Qatar now has an annual per capita income of over \$60,000. Even through the current global financial crisis, Qatar's national revenues will continue growing, and Qatar should soon have the highest per capita income in the world.

-- The economic relationship between Qatar and the United States is vital. U.S. energy companies have invested tens of billions of dollars in the oil and gas industry here. Qatar, which holds the third largest natural gas reserves in the world after Iran and Russia, is expected to become in 2009 one of the most important suppliers of imported liquefied natural gas (LNG) to the U.S. market.

-- Qatar's sovereign wealth fund, the Qatar Investment Authority (QIA), is a growing potential source of direct investment in the United States and elsewhere. QIA will be increasingly important to the U.S. as it grows in parallel with our own need for foreign investment. Given Qatar's wealth, the country also has great potential to be a partner in providing aid to struggling regional states, and we frequently approach them about participating financially in these initiatives.

-- Vast wealth has bolstered the country's political

ambitions, leading to Qatari foreign policy initiatives that have too often been at odds with U.S. objectives. Examples include Qatar's relations with Hamas, Syria, and Sudan.

-- Qatar's location, wide-ranging foreign relations, fast-growing economy, and expanding transportation links have made counterterrorism cooperation, including counterterrorist financing, a key aspect of our relationship. Qatar's wealth, in particular, means its citizens are potential sources of money for violent extremists and cooperative efforts to target and prevent these financial flows are central to our bilateral agenda.

-- The U.S.-Qatar military relationship is extremely important. Qatar provides the U.S. military exceptional access to two major Qatari military installations, Al Udaid Air Base and Camp As-Saliyeh - perhaps CENTCOM's most important operating installations outside of Iraq. Qatar charges us no rent, and in fact is funding over USD 700 million in construction projects for the exclusive use of the U.S. military.

-- Our educational and cultural relationship with Qatar is strong and growing. Qatar has committed itself like few other Arab states to modernizing its educational system, and has turned decisively to the United States for help. Qatar has thus far imported branch campuses of six U.S. universities, including Texas A&M, Carnegie-Mellon, Weill-Cornell Medical School, Georgetown, Virginia Commonwealth, and Northwestern.

-- Qatar's rapid growth, and the resulting massive demand for
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foreign workers to develop the country's infrastructure often leads to exploitation and abysmal working conditions for the laborers. The USG is concerned about the treatment of foreign workers in Qatar, which has been ranked on Tier 3 - the lowest - in the State Department's Trafficking in Persons Report for 2008.

-- Al Jazeera, the television network with an Arabic-speaking audience of some 60 million, is based on Qatar and funded by the Amir. The network's biased coverage, particularly of issues important to the U.S., has long been an irritant in our bilateral relationship. We nevertheless recognize the value of appearing on Al Jazeera in order to ensure that official U.S. voices are heard in the Arab world.

ECONOMIC, FINANCIAL, AND COUNTERTERRORISM RELATIONSHIPS:
KEY TRENDS THROUGH 2011

14. (S) Over the next three years, we believe the following are the major trends with the greatest impact on our economic, financial, and counterterrorism relationships. It is here where your visit, and those of other senior USG officials, can have the most important impact.

-- (C) QIA is currently estimated to control about USD 60 billion and its funds available for investment overseas will grow substantially.

-- (C) Qatar will maintain a conservative approach on currency exchange rate issues, and this policy is unlikely to change in the foreseeable future. Qatari officials, from the Central Bank Governor to the Prime Minister, have told us Qatar is committed to the dollar peg -- at least until a common GCC currency is established. The Prime Minister stuck by this pledge most recently in an October 19 meeting with the Ambassador.

-- (C) Qatar's own financial sector will experience qualitative and quantitative growth. However, liberalization and diversification of the economy will be sporadic and

piecemeal.

-- (C) The exploitation of hydrocarbon resources will rapidly expand Qatar's wealth. By 2011, Qatar will double its output of LNG to 77 million tons per annum. Qatar currently plans an estimated USD 130 billion in capital investment through 2015.

-- (S) Due to its small size and great wealth, Qatar will not be a major source of extremists leaving to engage in terrorism. Some of Qatar's citizens, however, may support terrorism financially, perhaps outstripping the ability of the government to stop it.

-- (S) We expect that Qatar will continue to be an inconsistent partner in combating terrorism, in part because of fear of embarrassment by acknowledging problems, and in part because more cooperation might antagonize extremist groups and invite an attack.

INVESTMENT AND COUNTERTERRORISM:
MAJOR GOALS OF OUR STRATEGIC ENGAGEMENT

15. (C) A senior adviser to the Qatari leadership told us in June that by 2011 fully 75 percent of the funds in the world available for investment would be in the hands of Qataris, Saudis, and Emiratis. If that figure is even close to accurate, it suggests we have a strong interest in encouraging those countries to invest in the U.S. - even while many GCC officials and investor countries doubt whether the U.S. truly welcomes Arab investments. Qatar's doubts about the U.S. as a reliable destination for its capital may have been shaken further by the our current financial difficulties.

16. (C) As noted above, as Qatar's financial sector expands and the country's wealth grows, so too will the potential for Qatar to be a source of money from private Qatari citizens to terrorist groups. Qatar's Central Bank currently cooperates on a range of anti-terrorist finance efforts, and we are working to expand that cooperation. Qatar has an agency charged with regulating foreign charitable contributions by its citizens and we need to deepen our relationship with it and encourage Qatar to bolster its commitment to fighting

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terrorist finance.

HOW YOUR VISIT CAN HELP THESE STRATEGIC GOALS

17. (S) We believe the following approach will help your visit advance these goals:

-- (C) Engage and consult with the Qatari leadership on what the U.S. is doing to restore confidence in global financial markets and solicit Qatar's own thinking and plans. The global financial clout of GCC countries will only grow and Qatari officials appreciate being taking seriously on these issues by senior U.S. officials. (The Prime/Foreign Minister told Secretary Rice in a recent phone call that "Qatar wants to be part of the solution." He later complained to U.S. officials that Qatar wasn't invited to the White House G-20 summit on November 15.)

-- (C) Applaud Qatar's substantial commercial relationship with the U.S., particularly in the hydrocarbon sector, and encourage Qatari investments in the United States. Emphasize that we welcome investment from the Arab world, as various interlocutors (at QIA and Qatar Petroleum, for example) were dismayed by the failed Dubai Ports World transaction, and put off by their own experience gaining CFIUS approval for their investment in the Golden Pass LNG receiving terminal in Texas.

-- (S) Note our continued interest in cooperation on combating terrorist finance. The IMF recently issued a report which the local press touted as a "clean bill of health" on financial crimes and money-laundering. The reality is more complicated, and while our cooperation with the Qatar Central Bank is good, the Qataris need to be reminded of the constant need for vigilance. Principal responsibility for this issue lies with the Qatar Central Bank.

LeBaron